

2002 Australian Share Ownership Study



ASX
AUSTRALIAN STOCK EXCHANGE

ASX Registered Office

Australian Stock Exchange
20 Bridge Street
Sydney NSW 2000
Facsimile (02) 9227 0885

PO Box H224
Australia Square
Sydney NSW 1215

ASX Customer Service

1300 300 279

ASX Website

<http://www.asx.com.au>

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Foreword



The 2002 Share Ownership Survey demonstrates the Australian investing public's coming of age. It followed several years of an extraordinary boom market, during which large-scale demutualisations and privatisations made household names of public companies. Australia epitomised the modern market, in the process becoming a nation of shareholders.

This survey shows that as the long bull market drew to a close and recorded its first overall annual downturn in eight years, Australian shareholders remained not only steadfast, but indeed took steps to improve their standing in the market.

The level of involvement by Australians in their market remains extremely high and their increasing participation – demonstrated by greater diversification and trading activity – is both gratifying and testament to the underlying strength and integrity of the market. Most of all, though, it demonstrates the investing public's recognition that they must take control of their own financial destiny, and that this must include share market investments.

Of course, the sustained levels of participation also reflect the fact that in currency-adjusted terms the Australian market has outperformed all major markets worldwide in the past two years. While no directly comparable study with offshore markets is available, it would be most surprising if Australia's level of share ownership had lost any ground in terms of international relativities.

It is important to note that these findings do not take account of the massive investment made from the \$500 billion-plus gathered through compulsory superannuation. When you add that to the stakes held through direct and indirectly managed portfolios, the true significance and value of the Australian sharemarket is clear.

Our equity market's capitalisation is slightly larger than the national GDP, and increasing. The overall market is increasingly owned by Australians and – as this survey shows – by so-called 'ordinary Australians', retail investors who know what they are doing, and why. This trend to greater sophistication and greater participation will continue – and that is the most gratifying aspect of all.

Richard Humphry
Managing Director and Chief Executive Officer
Australian Stock Exchange

Background

The 2002 Australian Share Ownership Study is the latest report from the Australian Stock Exchange (ASX) that looks at the incidence of share ownership within Australia and the profile of share investors. This is the seventh such survey carried out by ASX since 1991.

Independent and international market research company Millward Brown Australia conducted this study on behalf of ASX. Throughout November and December 2002, 2,401 Australians participated in a telephone survey from which the results of this study are drawn. This sample was weighted to represent the Australian adult population.

This study followed an in-depth qualitative study conducted in September 2002 by Creative Catalyst Insights – an independent market research firm. Findings from this study are incorporated throughout this report. Both studies were funded through the Financial Industry Development Account of the ASX National Guarantee Fund.

The 2002 study found that half of all adult Australians, more than 7 million people own shares. And 37% of the adult population or 5.4 million Australians own and manage their own share portfolio.

While the level of share ownership has declined slightly in the past two years, the vast majority of shareholders have not only remained in the market but have also increased their level of activity and involvement.

What has changed about this study

Any trend research conducted over a series of years should be as consistent as possible. This not only includes the way the research is carried out (ie the methodology) and how respondents are selected (ie the sample), it extends to the survey instrument used (ie the questionnaire). To keep the information relevant and reliable changes to the questionnaire may be required from time to time to reflect changes in the investment environment.

The key changes to the survey overtime have been:

In 1997, the definition of 'indirect investment in shares' was updated to include:

- Managed funds that invest wholly or partly in the share market (including managed equity trusts and balanced/diversified funds).
- Personal superannuation funds managed by a professional fund manager that invest wholly or partly in equities and receive contributions only from the individual and not their company.
- Personal superannuation funds that have been established and are personally managed by the individual, and invest wholly or partly in equities.

Studies prior to 1997 had a narrower definition of indirect investment that largely captured managed equity trusts. Investments in shares through balanced/diversified funds or via contributions to personal superannuation funds were not specifically identified.

In 1998 a new category of direct investment in equities was introduced which captured information on 'shares listed on an exchange other than ASX':

Also since the 1998 study, indirect investment in shares through managed funds has been separated into:

- Indirect investment in Australian shares through a managed fund that invests wholly or partly in the sharemarket.
- Indirect investment in overseas shares through a managed fund that invests wholly or partly in the sharemarket.

In 2002, the definition of direct share ownership had been expanded to include listed interest rate securities such as corporate bonds, convertible notes and preference shares.

Please note:

Due to rounding off, there may be some discrepancies in extrapolating findings to the population at large. Consequently, number of people reported should only be treated as indicative not as absolute figures.

Study dates

- Throughout the report reference is made to previous share ownership studies. The table below shows the interviewing period, sample size and methodology of each of the studies referred to in this report.

Study Date	Interviewing Period	Sample Size	Methodology
1997	March	2,400	Telephone Interviews
1998 update	December	1,200	Telephone Interviews
1999	November	1,213	Telephone Interviews
2000 update	November	1,200	Telephone Interviews
2002	November	2,401	Telephone Interviews

Key Highlights at a Glance...

Incidence of share participation

- In 2002, half of the Australian adult population or 7.3 million people owned direct or indirect shares. Those investing directly in the share market represent 37% of the population or 5.4 million people.
- While total share ownership in 2002 was marginally down from its peak in 1999 at 54% it is still higher than that of 1997 at 34%.
- On average, 16 percent of total funds invested by Australian adults were invested in shares listed on ASX.

Demographic profile

- Direct share ownership among males and females in 2002 continues to be higher than 1997 figures. From 2000 to 2002 ownership among males remained constant at two in five, while that of females fell from 36% to 33%.
- Those within the 25 to 34 and 35 to 44 age brackets reported constant declines in share ownership since 1999, possibly due to the introduction of the first home owners grant and the attraction of the residential property market. The only age group to report a steady increase in share ownership are those aged 55 years plus, where 2 million owned direct shares in 2002 increasing to 2.5 million for total share ownership.
- Education, household income and household assets all appear to be interrelated with the incidence of both direct and total share ownership increasing with advancement in all three areas. Healthy levels of share ownership do exist among middle income Australians.

Geographic profile

- Direct ownership of shares among metropolitan dwellers is slightly ahead of their regional counterpart (39% and 33% respectively). Those in the metropolitan reported constant penetration at two in five since 1999, while that among regional areas declined steadily from 39% in 1999 to 33% in 2002.
- Ownership of direct shares among the states is mixed. NSW/ACT reported a significant decline from 48% in 2000 to 40% in 2002 possibly due to the sell off of shares acquired via state based floats. Despite this they still represent just over 2 million direct and 2.6 million total share owners.
- Both Victoria and South Australia recovered from declines in share ownership between 1999 to 2000 with increases reported in 2002 contributed by local floats bringing many new share owners to the market.
- Queensland has reported steady declines since 1999 while that of Western Australia and Tasmania appear to be stable in recent years.

Investor behaviour

- The number of direct investors with just one company in their portfolio has decreased from 41% in 1998 to 24% in 2002, while those holding portfolios of eight plus companies has increased from 9% to 22% over the same period of time. Average share portfolio increased from 3 companies in 1999 to 6 in 2000 where it remained in 2002.

- The average dollar value directly invested in the share market remained constant from 1997 to 2000 at around \$28,500, however increased by 25% to \$36,000 in 2002.
- Only 2% of the population entered the share market for the first time during 2001 and 2002.
- More direct investors are NOT trading (48% in 2002 compared to 37% in 1999), and more are trading at least seven times (18% in 2002 versus 6% in 1999). The average number of trades among direct investors has increased from 2 in 1998 to 3 in 2002 after dipping to 1 in 2000.
- Average value of trades increased by 55% from \$5,700 in 1999 to just under \$9,000 in 2002.
- The popularity of trades occurring through the internet or internet broker grew from 8% in 1999 to 17% in 2002, while floats fell from 33% to 22%. Trading via a full service broker or advice broker remained relatively stable going from 21% to 23% over the same period of time.
- Newspapers were the most popular source of share information and advice used by 44% of direct investors in 2002. This medium along with financial planners was regarded as the main source by 22% of direct investors in both cases.
- Three in five direct investors monitor their shares and investments at least monthly, with company reports and delayed share prices being the most common information types (44% and 43% respectively).
- Surprisingly three in four direct investors either thought they still paid stamp duty on their trade transactions or did not know.

Investor attitudes

- Compared to 2000, direct investors in 2002 still believed they need to take financial responsibility for managing their own financial future and that shares are important for a balanced investment portfolio.
- Key shifts were the decline in those not having time to get more involved in the share market (59% to 50%) and those definitely intending to get more involved in the market (48% to 39%).
- The attractiveness of blue chip shares grew from 44% to 50% of direct investors only considering investing in this type of shares.

Future intentions

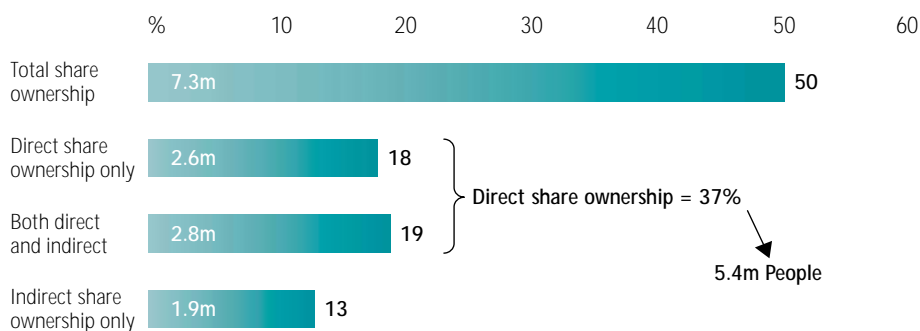
- Approximately 15% of the population or 2.2 million direct investors intend to purchase shares in the next 12 months, while a further 7% of the population or around 1 million people who do not currently own direct shares intend to enter the share market in the next 12 months. Of these 1 million people, just over 700,000 represent a group of potential investors characterised as being under 35 years with household incomes of less than \$50,000.

Share Ownership in Australia

Overview

- According to the 2002 Share Ownership Study half of the Australian adult population (50%) own shares. This represents 7.3 million people.
- The 50% of share ownership consists of 18% who have only direct shares, 13% who have only indirect shares (through a managed fund or self arranged and/or managed superannuation) and 19% who have both direct and indirect shares.
- In terms of total direct share ownership, 37% of the population or 5.4 million people invest directly in the sharemarket.

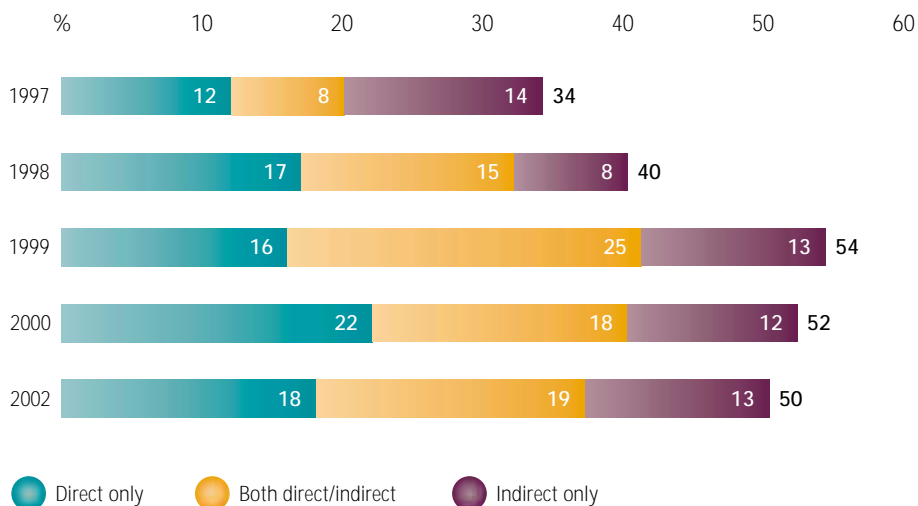
Total share ownership



Base: All Australian adults aged 18 years + (n = 2401)

- Despite falling marginally from its peak of 54% in 1999, the incidence of total share ownership in 2002 at 50% is higher than that reported in 1997 at 34%.
- When looking at direct share ownership (ie direct only plus both direct and indirect), this has declined from 41% in 1999 to 37% in 2002, yet again still ahead of the 1997 figure of 20%.
- Also in 2002, the proportion of the population owning both direct and indirect shares (19%) is similar to those owning only direct shares (18%). In 2000, slightly more people owned only direct shares (22%) than both types of share ownership (18%), which was a reversal of that held in 1999, where 25% held both types and 16% held direct only.
- Those holding indirect shares only have remained relatively constant at around 13% since 1997, except for 1998 where it declined to 8%.

The trend of share ownership



Base: All Australian adults aged 18 years +

NB: Change in definition of indirect share ownership in 1997.

- In 2002, 7.3 million people participated in the share market either directly or indirectly. This is a decline of 3% since 1999, but a growth of 55% since 1997.

The total number of Australians investing in shares (000's)

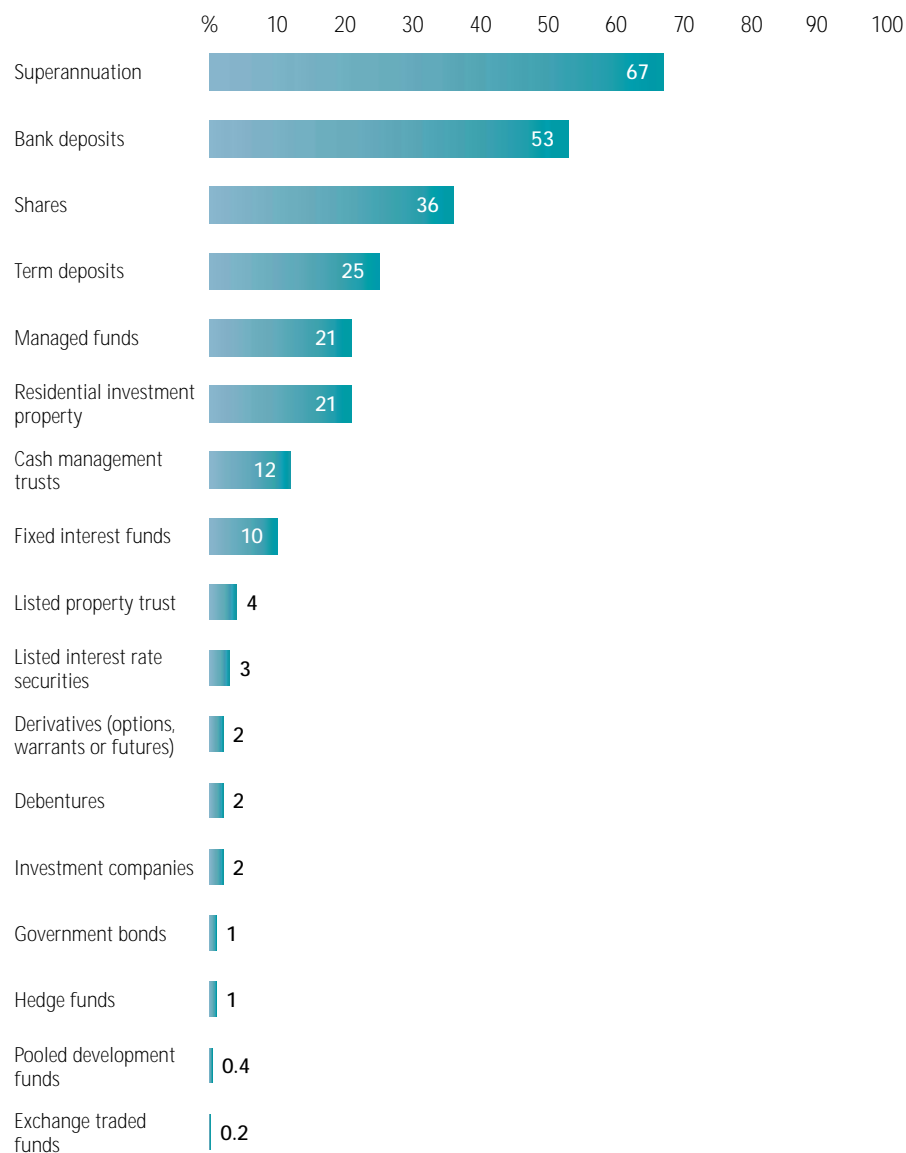
	1997	1998	1999	2000	2002
Direct Only	1,645	2,277	2,184	3,133	2,628
Both	1,177	2,101	3,520	2,563	2,774
Indirect Only	1,881	1,148	1,852	1,709	1,898
Total	4,703	5,526	7,556	7,405	7,300

Share Ownership in Australia

Ownership of other investment types

- Direct investment in shares was the third most popular investment for Australians at 36%, after superannuation (67%) and bank deposits (53%).
- These were followed at a distance by term deposits (25%), managed funds (21%) and residential investment property (21%).
- The incidence of ownership of listed products (outside shares), such as listed interest rate securities, derivatives, investment companies and hedge funds among the population are all relatively low, with pooled development and exchange traded funds being the lowest of them all.

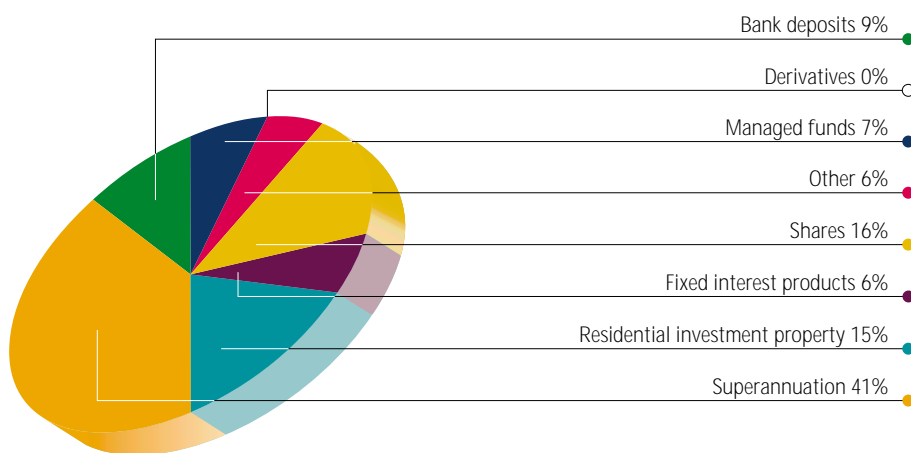
Ownership of investment



Base: All Australian adults aged 18 years + (n = 2401)

Share of total investments

- Approximately 16% of total funds invested by Australian adults in 2002 were in shares. This is an increase from 13% in 1999.
- This was a similar proportion to that invested in residential property at 15%.
- Amounts invested in superannuation represented the greatest percentage of all investments at 41%.



Base: All Australian adults aged 18 years + (n = 2401)

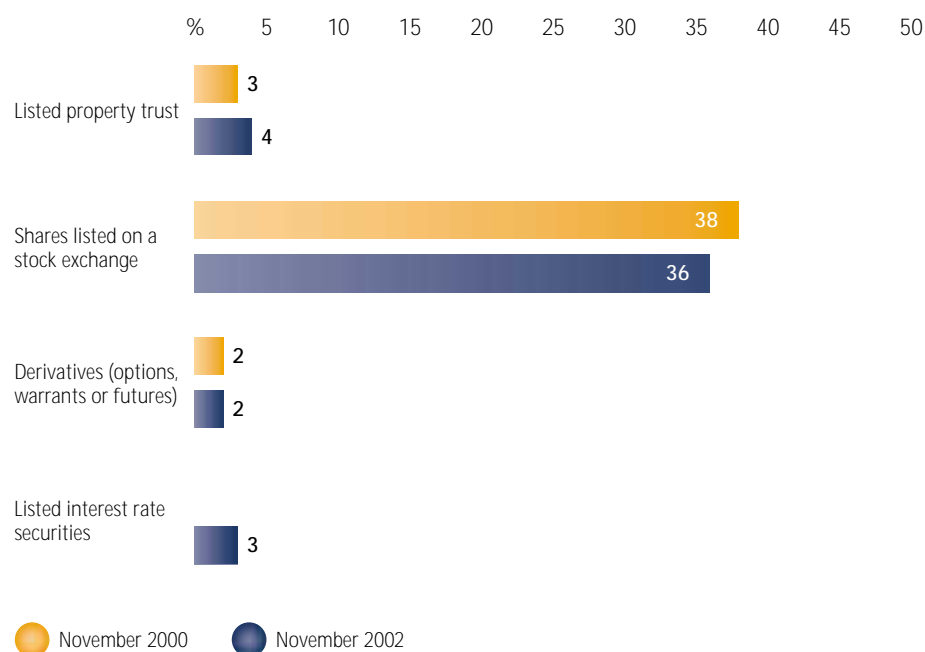
Direct and Indirect Share Ownership

Direct share ownership

Direct share ownership for the purpose of this study is defined as:

- Shares in a company listed on a stock exchange, which are held directly and not part of a fund, or
- A direct investment in a property trust which is listed on a stock exchange, or
- Derivatives such as options, warrants or futures, or
- Listed interest rate securities such as corporate bonds, convertible notes and preference shares.

Type of direct share ownership

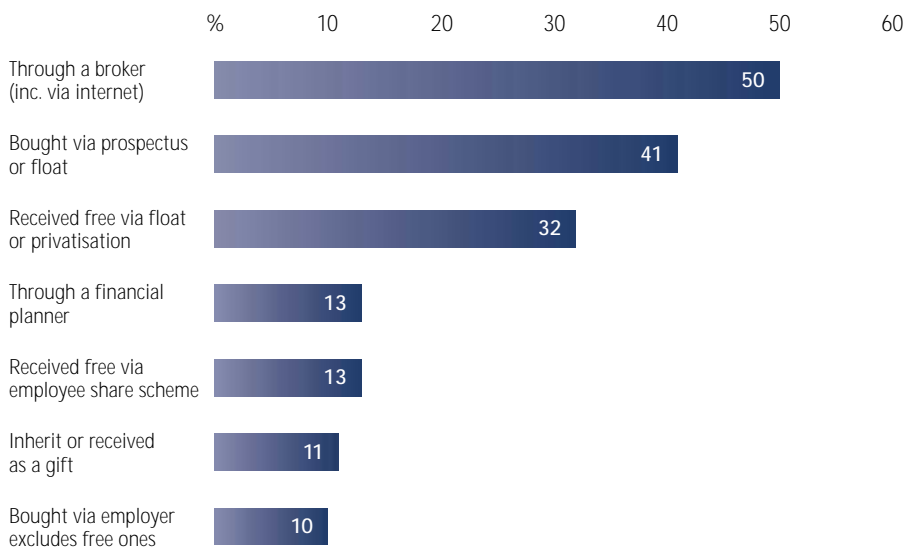


Base: All Australian adults aged 18 years + (2000 n = 1200; 2002 n = 2401)

As shown above, shares listed on a stock exchange largely contribute to the definition of direct share ownership.

There has been a marginal decline in the ownership of shares listed on a stock exchange from 38% in 2000 to 36% in 2002. The incidence of listed property trusts and derivatives has remained somewhat static at around 2% and 3%-4% respectively. Ownership of listed interest rate securities was asked for the first time in 2002, reporting a 3% penetration.

Source of direct share ownership



● November 2002

Base: Have directly held shares listed on the Australian Stock Exchange (n = 809)

Half of those owning shares held on the Australian Stock Exchange (95%) purchased shares via a stock broker, followed by purchase via a prospectus or float (41%) and received free from a float or privatisation (32%).

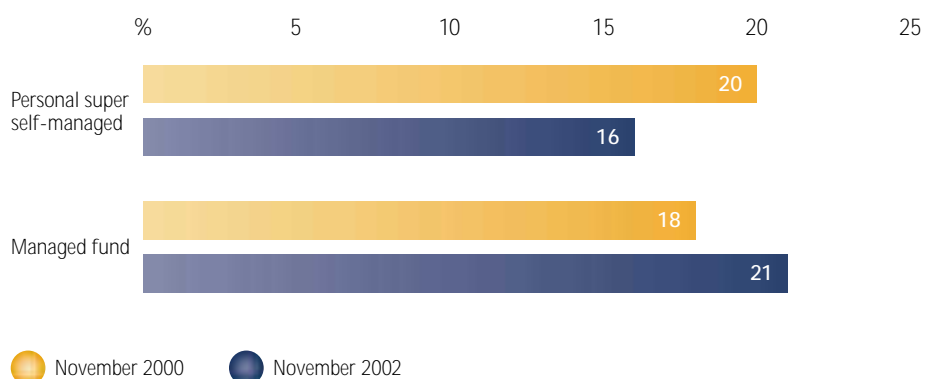
Direct and Indirect Share Ownership

Indirect share ownership

Indirect share ownership is defined as:

- An investment in a managed fund that is not part of a superannuation fund, or
- A personal superannuation fund that the investor has set up but is managed by someone else, or
- A personal superannuation fund that the investor has set up and directly manages.

Type of indirect share ownership



Base: All Australian adults aged 18 years + (2000 n = 1200; 2002 n = 2401)

Of the Australian adult population 16% have a personal superannuation fund that is self-handled. This 16% consists of 12% who have set up their own fund that is managed by someone else and 4% who have set up and manage their fund themselves.

Of those with a managed fund in 2002, the majority (81%) has at least part of it invested in the Australian share market, while 17% have a fund that does not invest any of its funds in the Australian share market.

The decline in personal super self-managed or do-it-yourself (DIY) superannuation from 20% in 2000 to 16% in 2002 has been largely offset with the increase in managed funds from 18% to 21% over the same period of time.

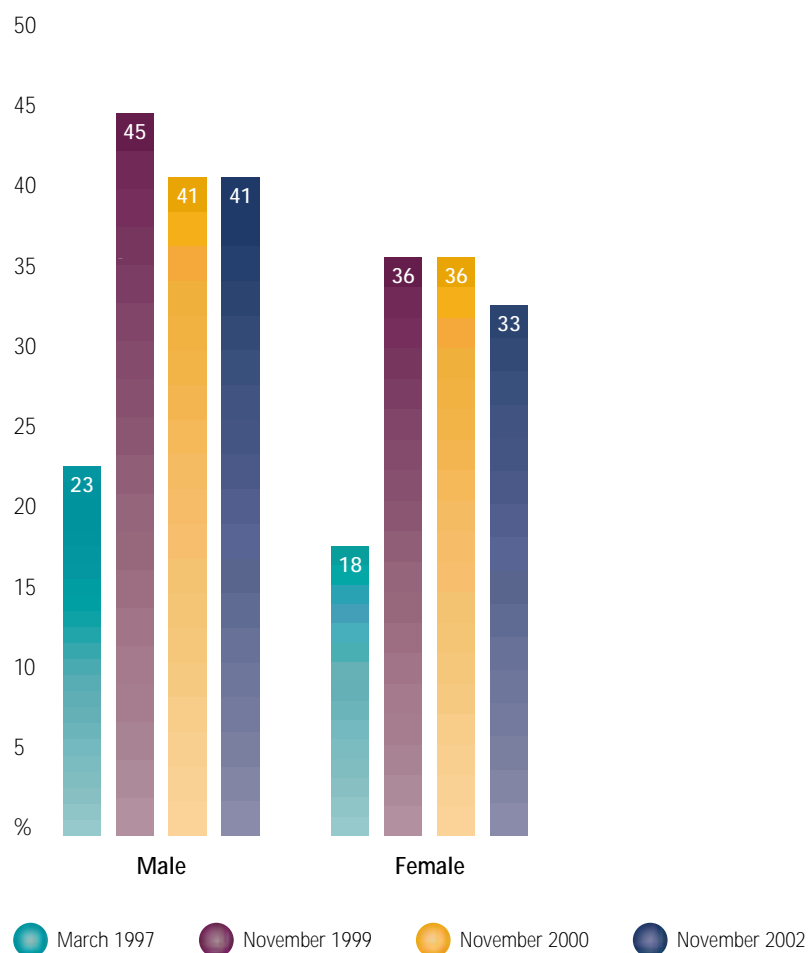
Demographics of Share Owners

Gender

- Males are still more likely to hold direct shares than females.
- The incidence of share ownership among males and females doubled from 1997 to 1999.
- Over the past three years (2000 and 2002), the rate of ownership among males remained static at two in five (despite falling from 45% in 1999). That of females has decreased from 36% to 33%.

Direct share ownership – gender comparison

% Owning shares directly



Base: All Australian adults aged 18 years +

Demographics of Share Owners

In 2002, almost 3 million males and 2.4 million females directly invested in shares. When indirect shares are included, total share ownership increases to almost 4 million males and 3.3 million females.

	2002 Direct Share Ownership		2002 Total Share Ownership	
	%	No in 000s	%	No in 000s
Males	41	2,946	55	3,952
Females	33	2,447	45	3,337

Age

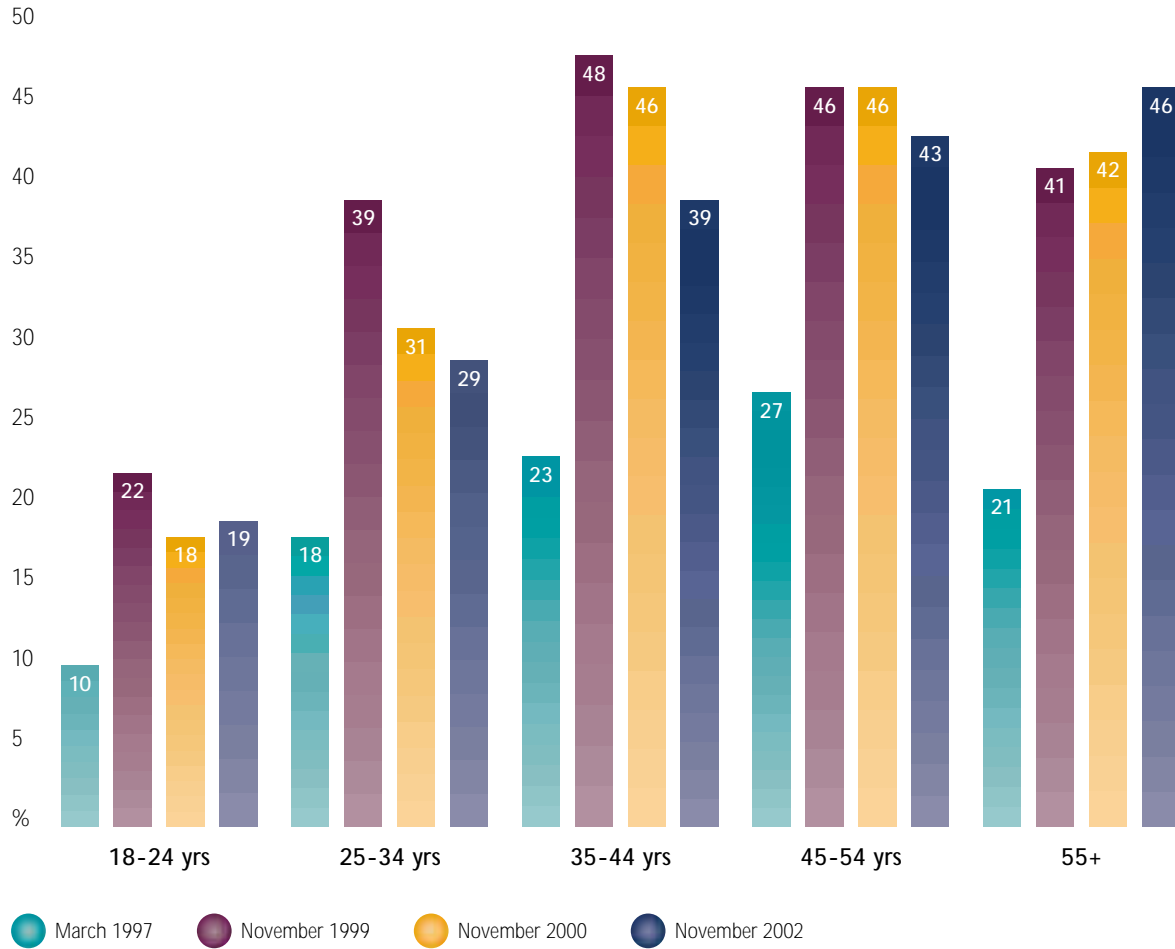
- In 2002 the incidence of share ownership increased with age, with those aged 18 to 24 years having the lowest rate at 19%, and those aged 55 years and over the highest rate at 46%.
- From 1997 to 1999, ownership of direct shares in most cases doubled across all age groups.
- Since 1999, the age groups reporting a significant decline in such ownership has been the 25 to 34 year olds from 39% in 1999 to 29% in 2002, and 35 to 44 years from 48% to 39% over the same period of time. This could be due to the move into residential property that was made more attractive with the Federal Government's First Home Owners Grant. Direct share ownership among 45 to 54 years remained relatively stable.
- The only age group to report continuous increases since 1997 are those aged 55 years plus which represents the growth in the baby boomer segment. In this group close to 2 million people own direct shares, which increases to 2.5 million when indirect shares are included. Even in numbers these are higher than that of any other age group.

Ownership of shares by age

	2002 Direct Share Ownership		2002 Total Share Ownership	
	%	No in 000s	%	No in 000s
18-24 years	19	360	27	511
25-34 years	29	826	40	1,139
35-44 years	39	1,120	53	1,523
45-54 years	43	1,127	58	1,521
55 years+	46	1,997	59	2,562

Direct share ownership – age comparison

% Owning shares directly



Base: All Australian adults aged 18 years +

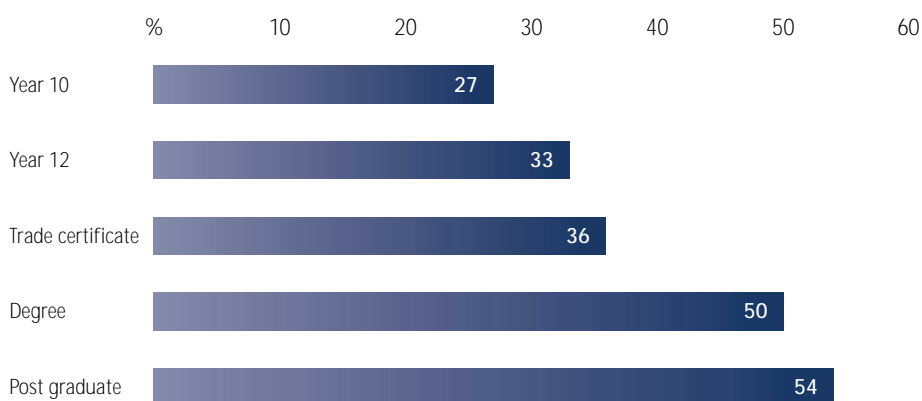
Demographics of Share Owners

Education

- Direct share ownership increases with higher level of education achieved.
- A quarter (27%) of year 10 education level owned shares, which increases to two in five when indirect shares are included.
- A third of those who finished Year 12 have direct share increasing to 43% with indirect shares included. The corresponding figures for those with trade certificates are 36% and 51% respectively.
- Ownership of both direct and total shares appears to increase significantly among those with degrees (50% and 62% respectively) and post-graduate studies (54% and 67% respectively).

Direct share ownership – education

% Owning shares directly



● November 2002

Base: All Australian adults aged 18 years + (n = 2401)

Total share ownership by education

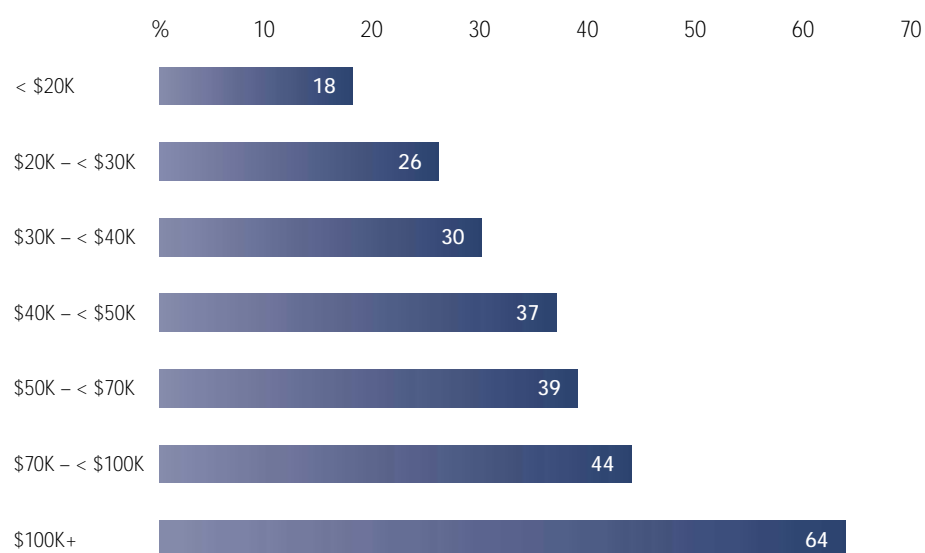
2002 Total Share Ownership	
	%
Year 10	41
Year 12	43
Trade	51
Degree	62
Post degree	67

Household income

- Ownership of both direct and total shares increases steadily as household income inclines, and jumps substantially from the \$70,000 less than \$100,000 income bracket (44% direct and 59% total) to the \$100,000 plus income group (64% direct and 75% total).
- Direct share ownership among middle-income earners is healthy at around two in five, with total share ownership around 50%.

Direct share ownership – household income

% Owning shares directly



November 2002

Base: All Australian adults aged 18 years + (n = 2401)

Total share ownership by household income

2002 Total Share Ownership	
	%
<\$20k	28
\$20k - <\$30k	40
\$30k - <\$40k	48
\$40k - <\$50k	51
\$50k - <\$70k	51
\$70k - <\$100k	59
\$100k+	75

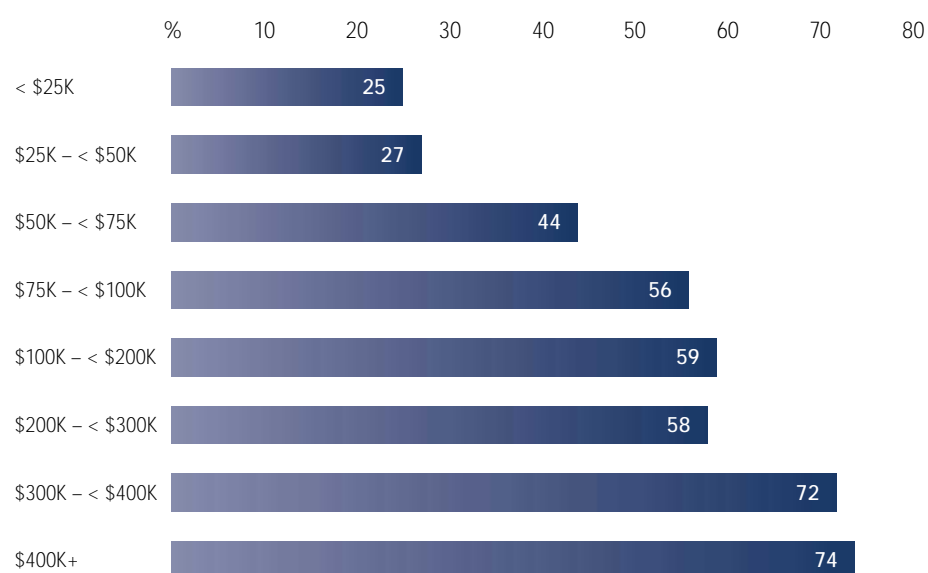
Demographics of Share Owners

Household assets

- As with education and household income, the incidence of both direct and total share ownership increases with the greater the assets of the household (excluding the family home).
- The key jumps appear to be from the \$25,000 less than \$50,000 bracket to the \$50,000 less than \$75,000 bracket, and again from the \$200,000 less than \$300,000 bracket to \$300,000 less than \$400,000 bracket.

Direct share ownership – household assets

% Owning shares directly



● November 2002

Base: All Australian adults aged 18 years + (n = 2401)

Total share ownership by household assets

2002 Total Share Ownership	
	%
<\$25k	41
\$25k - <\$50k	49
\$50k - <\$75k	61
\$75k - <\$100k	67
\$100k - <\$200k	75
\$200k - <\$300k	76
\$300k - <\$400k	85
\$400k+	84

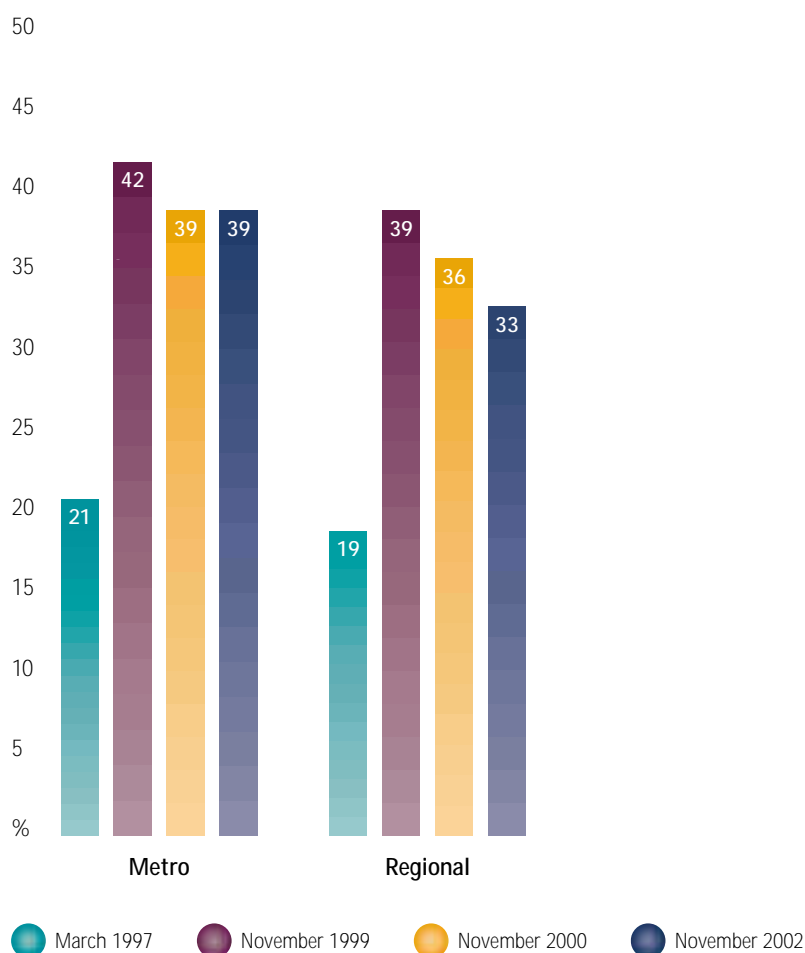
Geographic Location of Share Ownership

Region

- From 1997 to 1999, direct share ownership in both the metropolitan and regional areas doubled.
- In recent years ownership among metropolitan citizens remained relatively stable at two in five, while that among regional dwellers has decreased steadily from 39% in 1999 to 33% in 2002.
- In 2002 incidence of both direct and total share ownership among those from metropolitan areas was slightly higher than that of their regional counterparts.

Direct share ownership – region

% Owning shares directly



Base: All Australian adults aged 18 years +

Geographic Location of Share Ownership

Share ownership by region

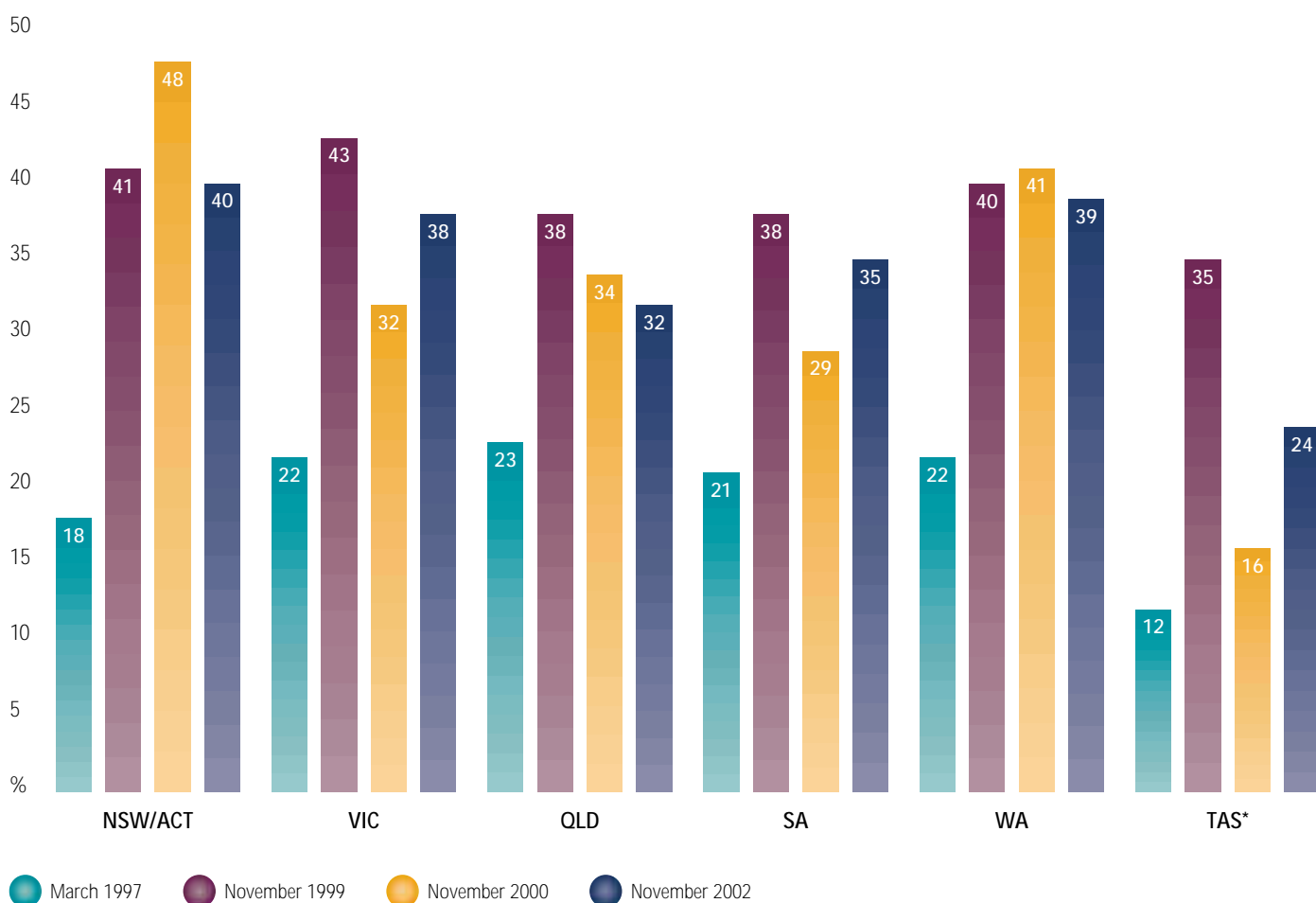
	2002 Direct Share Ownership	2002 Total Share Ownership
	%	%
Metro	39	51
Regional	33	47

State

- Once again, direct share ownership from 1997 to 1999 across all the States significantly increased, where it peaked for all States except for NSW/ACT.
- That of NSW/ACT peaked in 2000 at 48% largely due to State based floats. It was also the only state to report a significant decline in 2002 to 40%. This is likely to be to the selling off of shares previously acquired through such floats.
- Both Victoria and South Australia saw large falls from 1999 to 2000, and healthy increases from 2000 to 2002, again due to State based floats that likely saw new entrants to the market.
- Surprisingly Queensland residents have reported a slight but steady decline in direct share ownership since 1999, while that in Western Australia is relatively stable at two in five.
- Because of the small sample sizes in Tasmania, confident conclusions cannot be drawn, however it appears that direct share ownership has stabilised in the past 2 years at around 20%.

Direct share ownership – state comparison

% Owning shares directly



* = Small base

Base: All Australian adults aged 18 years +

- In number terms those residing in NSW/ACT have the highest number of direct share owners at just over 2 million increasing to 2.6 million of total share owners.

Ownership of shares by state

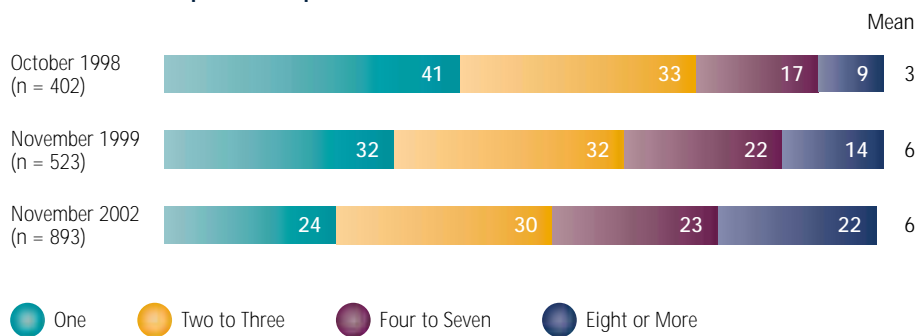
	2002 Direct Share Ownership		2002 Total Share Ownership	
	%	No in 000s	%	No in 000s
NSW/ACT	40	2,084	51	2,657
VIC	38	1,387	53	1,935
QLD	32	887	45	1,247
SA	35	406	48	556
WA	39	569	50	729
TAS	34	120	40	141

Investor Behaviour

Number of stocks in share portfolios

- Since 1998, the number of people holding just one company stock in their portfolio has almost halved decreasing from 41% to 24% in 2002. While those holding at least 8 companies has more than doubled increasing from 9% to 22% over the same period of time.
- The average share portfolio in 1998 was 3 companies which increased to 6 in 1999. This suggests that people are diversifying their share portfolio and hence minimising risk by spreading it over a range of companies.
- While the average of 6 remained in 2002 despite fewer people having one stock and more people investing in eight or more companies, is largely due to the consolidation of investors' portfolios at the higher range of number of companies held.

Number of companies in portfolio



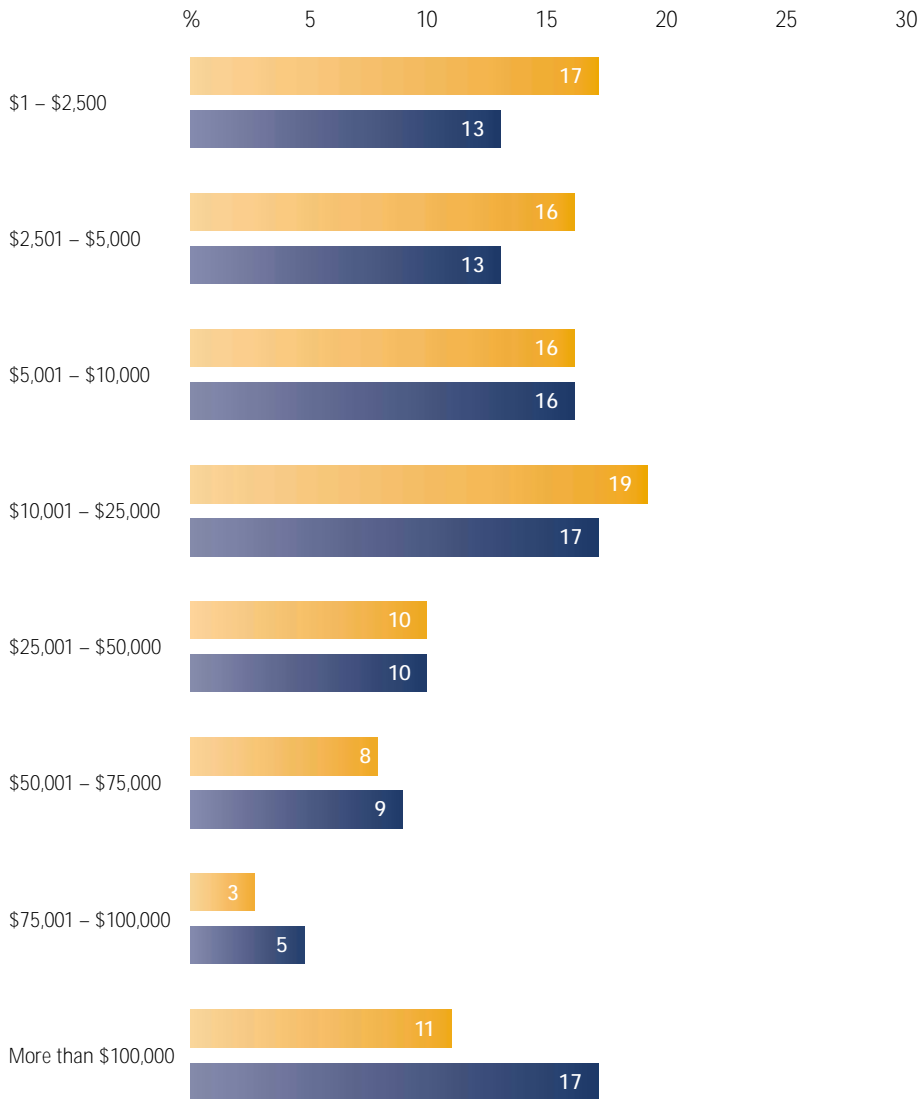
Base: All direct shareholders – Don't knows removed

Value of share portfolio

- In recent times, there has been a decrease in direct investors holding small share portfolios of \$5,000 or less and an increase at the higher end especially over \$100,000.
- In terms of the average directly invested in the share market, this was relatively consistent from 1997 to 2000 at around \$28,500. Despite the downturn in the market in 2002, the average share portfolio increased by 25% to approximately \$36,000.

Value of direct investments in share market

(Includes shares, property trusts, options, warrants, futures and listed interest rate securities)



● November 2000
 ● November 2002

Avg \$ value directly invested
 2002 = \$35,800
 2000 = \$29,000
 1999 = \$28,333
 1997 = \$28,562

Note: Don't know removed
Base: Have direct shareholders (2000 n = 312; 2002 n = 688)

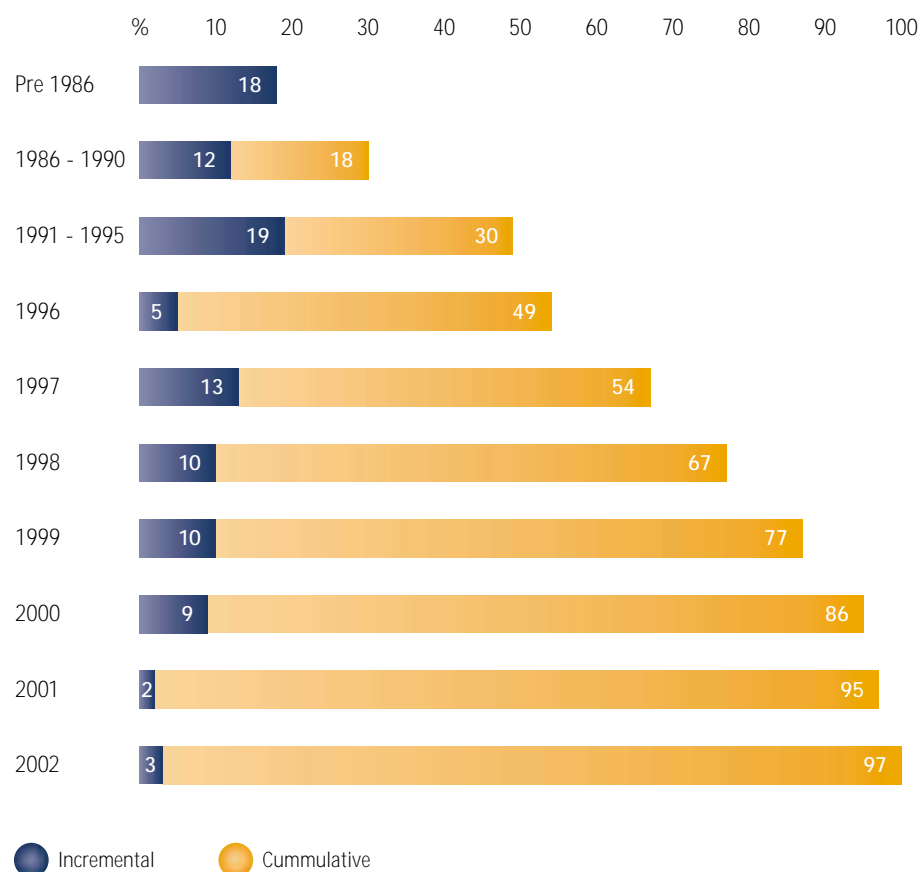
Investor Behaviour

Entry into the share market

- Due to the recent economic environment and the absence of large public floats characteristic of the late 1990s, there has been a slowing down of new entrants from approximately 10% of direct investor in each year from 1997 to 2000 to about 2% to 3% recently.
- Only 2% of the population first entered the share market in the past two years (ie 2001 or 2002).

Direct investments – commencement

(When first acquired direct investment)



Have direct investments = 37%

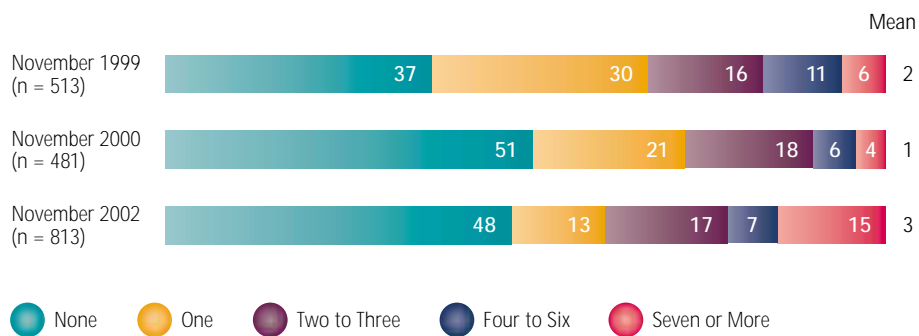
Base: Have direct investments (n = 893)

Frequency of trading

- Since 1999 there has been an increase in people not trading (ie buying or selling) in the preceding 12 months from 37% to 51% in 2000, which remained relatively constant in 2002 at 48%.
- Despite this, there was an increase in direct investors trading at least seven times from 6% in 1998 to 15% in 2002. This is likely to account for the increase in the average number of trades from 2 in 1999 to 3 in 2002 having fallen to 1 in 2000.

Trading activity

Number of times bought or sold direct investments in the past 12 months



Base: All direct shareholders – Don't knows removed

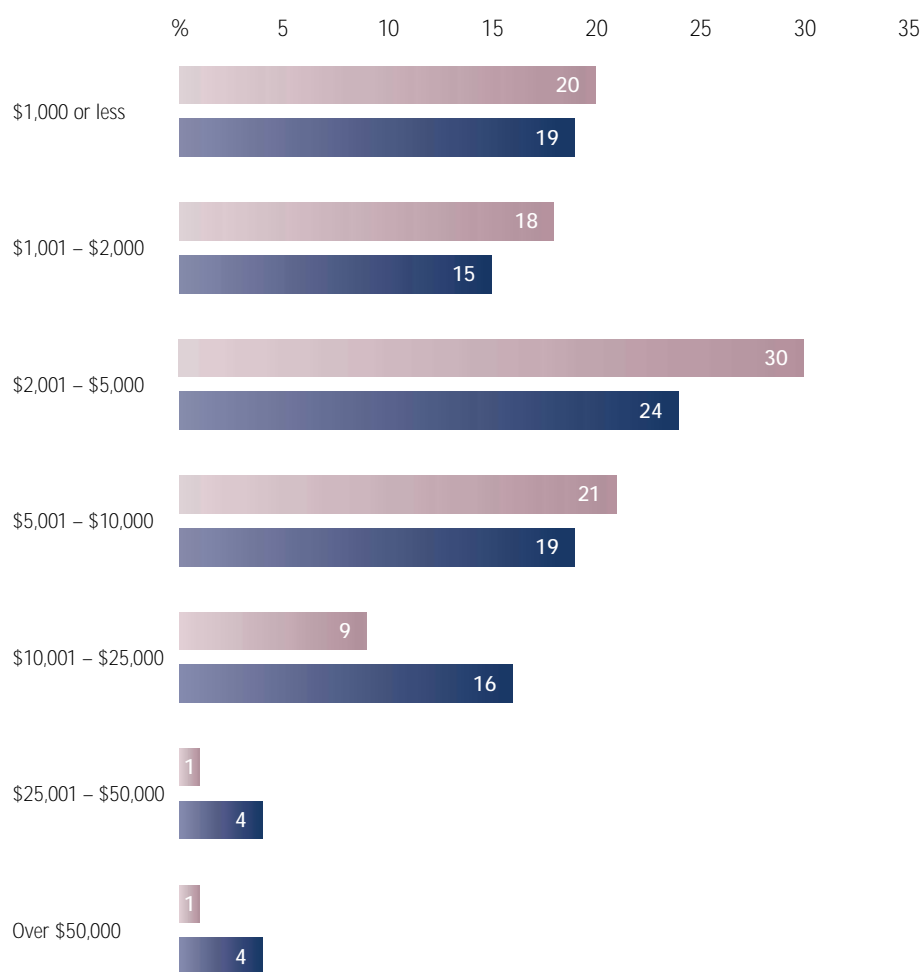
Investor Behaviour

Value of trades

- Among those who had traded in the past 12 months (42% of direct investor), there has been a decrease in trading parcel sizes of \$10,000 or less, especially in the \$2,001 to \$5,000 bracket from 30% in 1999 to 24% in 2002.
- At the other end, there has been an increase among those trading large parcel shares of over \$10,000, mainly those trading between \$10,001 to \$25,000 rising from 9% in 1999 to 16% in 2002.
- As with the average value of direct investments increasing, so too has the average size of trading transactions, inclining by 55% from \$5,700 in 1999 to just under \$9,000 in 2002.

Average \$ value of trading activity

Average dollar value of share parcels traded in past 12 months



● November 1999 ● November 2002

Average dollar value
1999 = \$5,700
2002 = \$8,830

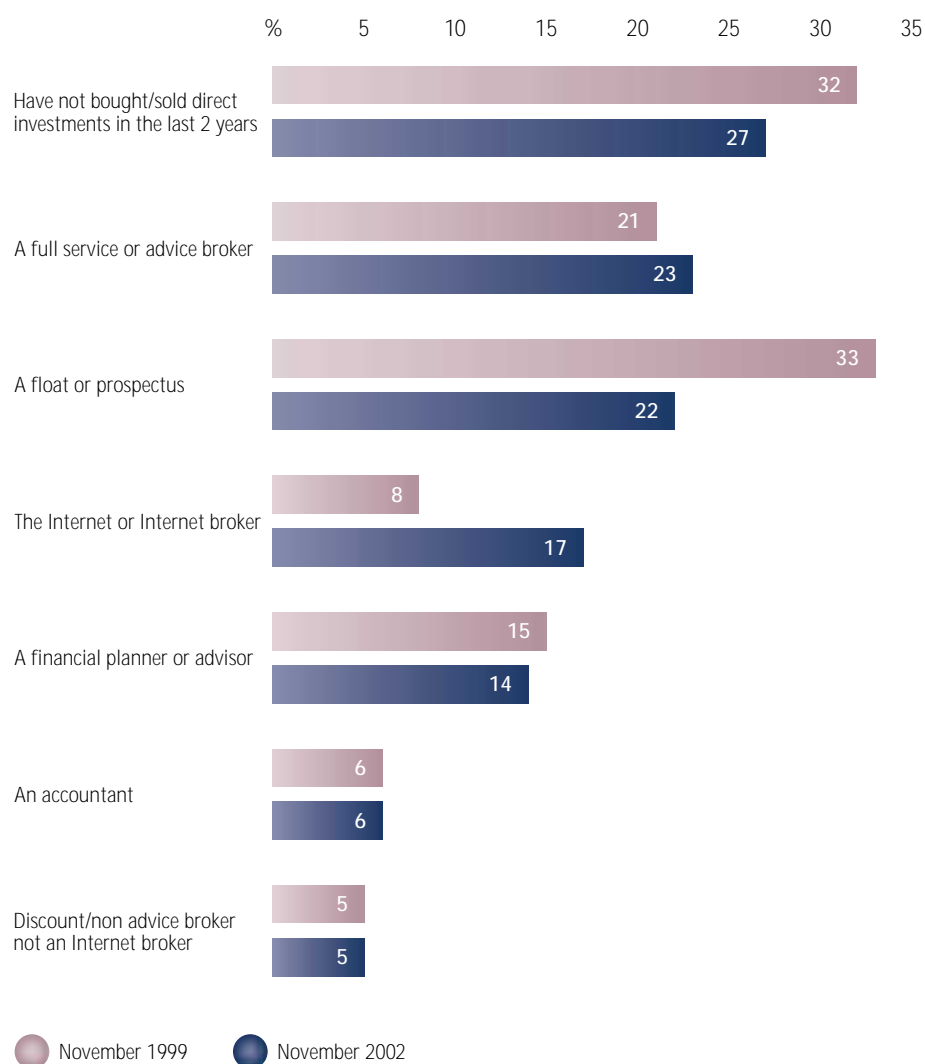
Note: Don't know removed
Base: All direct shareholders who have bought/sold shares in past 12 months
(1999 n = 273; 2002 n = 363)

Trading mediums

- Among direct investors, trading via a float or prospectus declined from 33% in 1999 (where it was the highest medium) to 22% in 2002.
- 2002 saw the increase in popularity of trades occurring through the internet or internet broker from 8% in 1999 doubling to 17% in 2002.
- Activity through a full service/advice broker, a financial planner/adviser, accountant and a non-internet discount broker remained relatively static from 1999 to 2002.

Direct investments – how acquired

(Medium traded via in past 2 years)



Base: Have direct investments (1999 n = 496; 2002 n = 893)

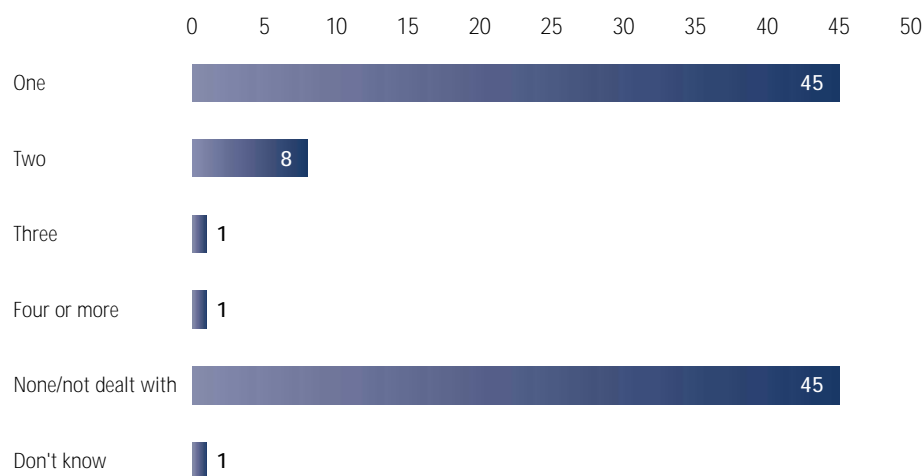
Investor Behaviour

Number of brokers used

- Almost half (45%) of direct investors traded only through one broker in 2002.
- The other half (45%) had not dealt with a broker mainly because they have not traded in the last year.
- Only one in ten dealt with more than one stockbroker in 2002.

Brokers

(Number of brokers currently used)



● November 2002

Base: Have direct investments (n = 893)

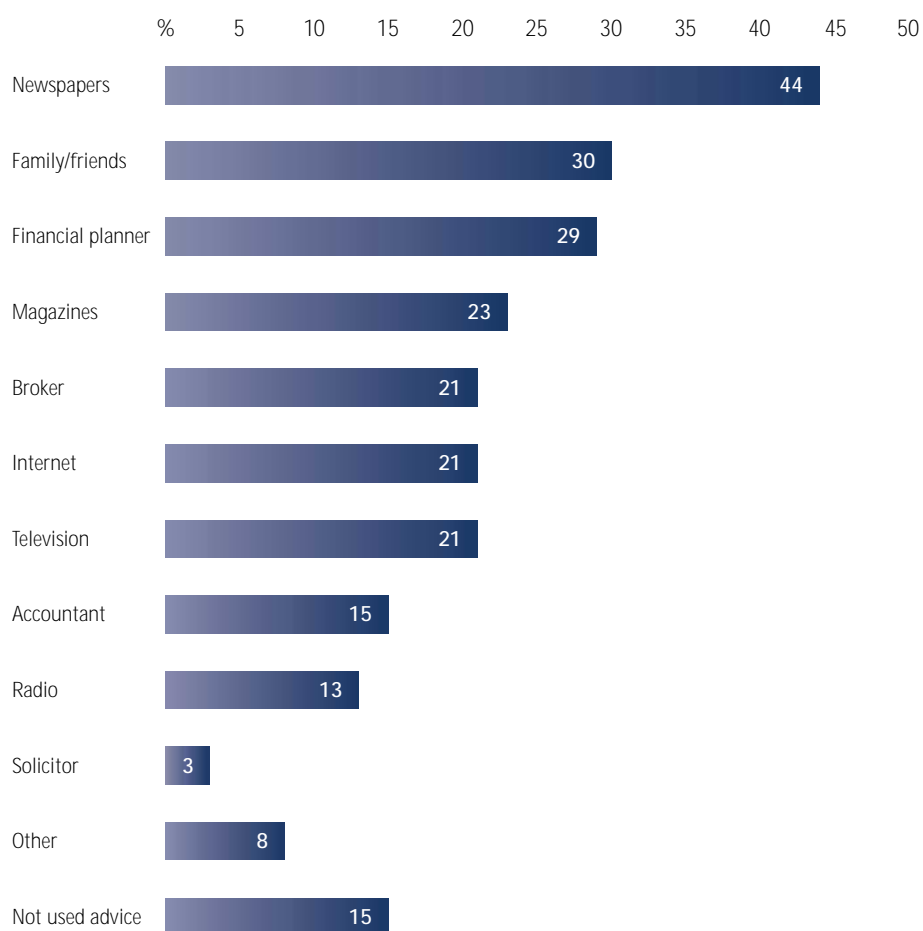
Sources of investment advice and information

- Newspapers were the most popular source of advice and information on shares used by 44% of direct investors in the past two years. This was followed by family/friends at 30% and financial planners at 29%.
- Magazines are also a source being referred to by one in four as were brokers, the internet and television each reporting 21%.
- Qualitative research highlighted the reliance on media as a 'back drop' to information through constant news coverage and daily commentary on the economic health of world markets. While the media is regarded as an information source some question its truthfulness and objectivity.
- This research found that generally people believe there is too much information available, a lot of which is difficult to understand. They lack the time to process what is available and seek information that is brief, impartial and easy to understand. There is also the perception that the retail investor is the last to know of events as they happen, so timely information is also in demand.

- Another key highlight was the importance of education as a lack of knowledge was seen as a significant barrier to trading. Such education is believed to come from self education (as per above), formal education (ie courses etc) and actual participation.

Source of share advice and information

(Used in past 2 years)



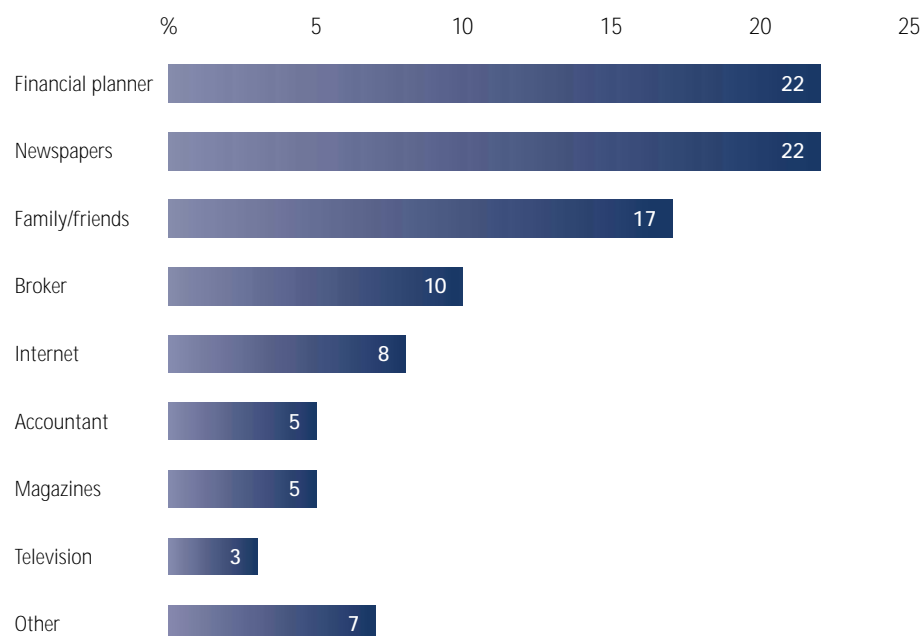
● November 2002

Base: Have direct investments (n = 893)

- Looking specifically at their main source of share advice, financial planners and newspapers both scored the highest at 22% each.
- In total, two in five direct investors rely on advice from a professional be it a financial planner, broker or accountant.
- A further two in five seek advice from the media as their main source, ie newspaper, internet, magazines or television.
- While the remaining one in five consider family/friends as their main source, ie word of mouth.

Investor Behaviour

Main source of share advice and information



● November 2002

Base: Have direct investments and have used advice in the last 2 years (n = 692)

Monitoring shares and investments

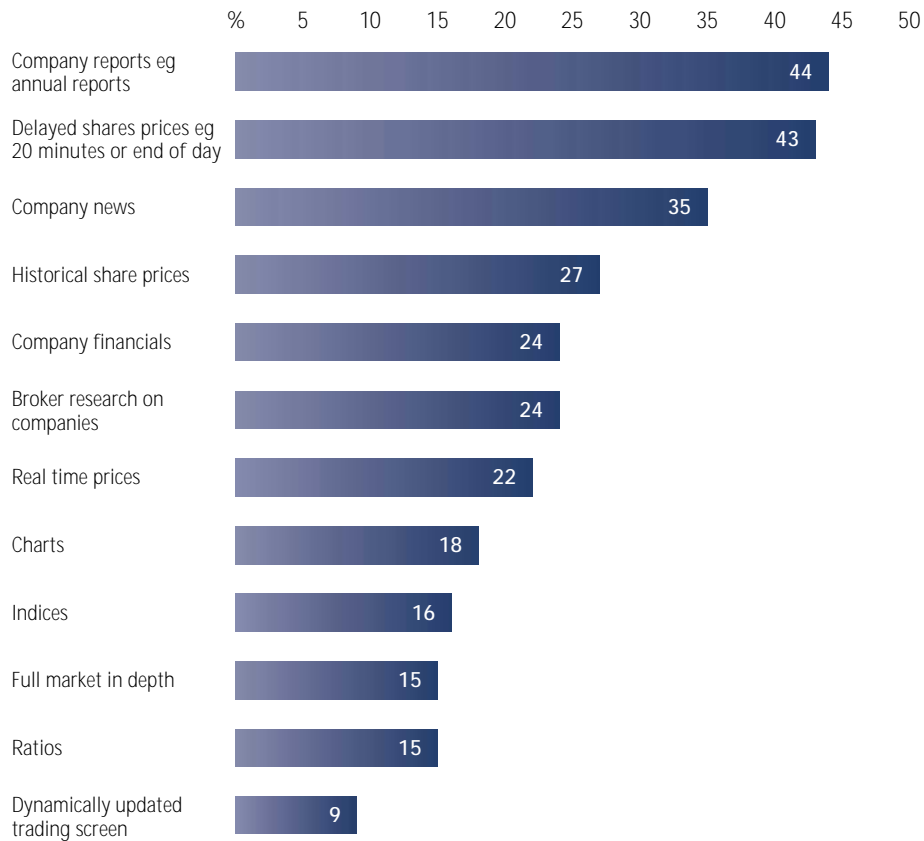
- One in five (17%) direct investors monitor their shares and investments on a daily basis, a quarter (24%) weekly and 20% monthly. Overall, for three in five (61%) this monitoring is at least monthly.
- Only 12% claimed to never monitor their shares and investments with 27% viewing them less often than monthly.

Frequency	%
Daily	17
Weekly	24
Monthly	20
Less often	27
Never	12
Don't know	1

Base: Have direct investments n= 893

- Company reports (44%) and delayed share prices (43%) are the types of market information normally used to monitor shares.
- Company news and historical share price followed at 35% and 27% respectively.
- In depth analysis such as charts, indices, full market depth and ratios were less popular with dynamic updated training screen being the least popular of all at 9%.

Monitoring shares and investments (Type of market information looked at)



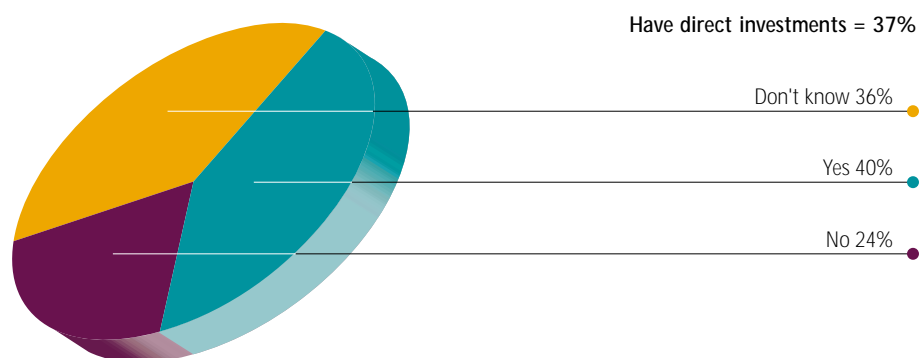
● November 2002

Base: Have direct investments (n = 893)

Awareness of stamp duty

- Interestingly three in four (76%) direct investors still believed or were unsure if they paid stamp duty when trading shares. The Federal Government abolished stamp duty on share transactions in July 2001.

Direct share owners – stamp duty (Charged stamp duty when trading)



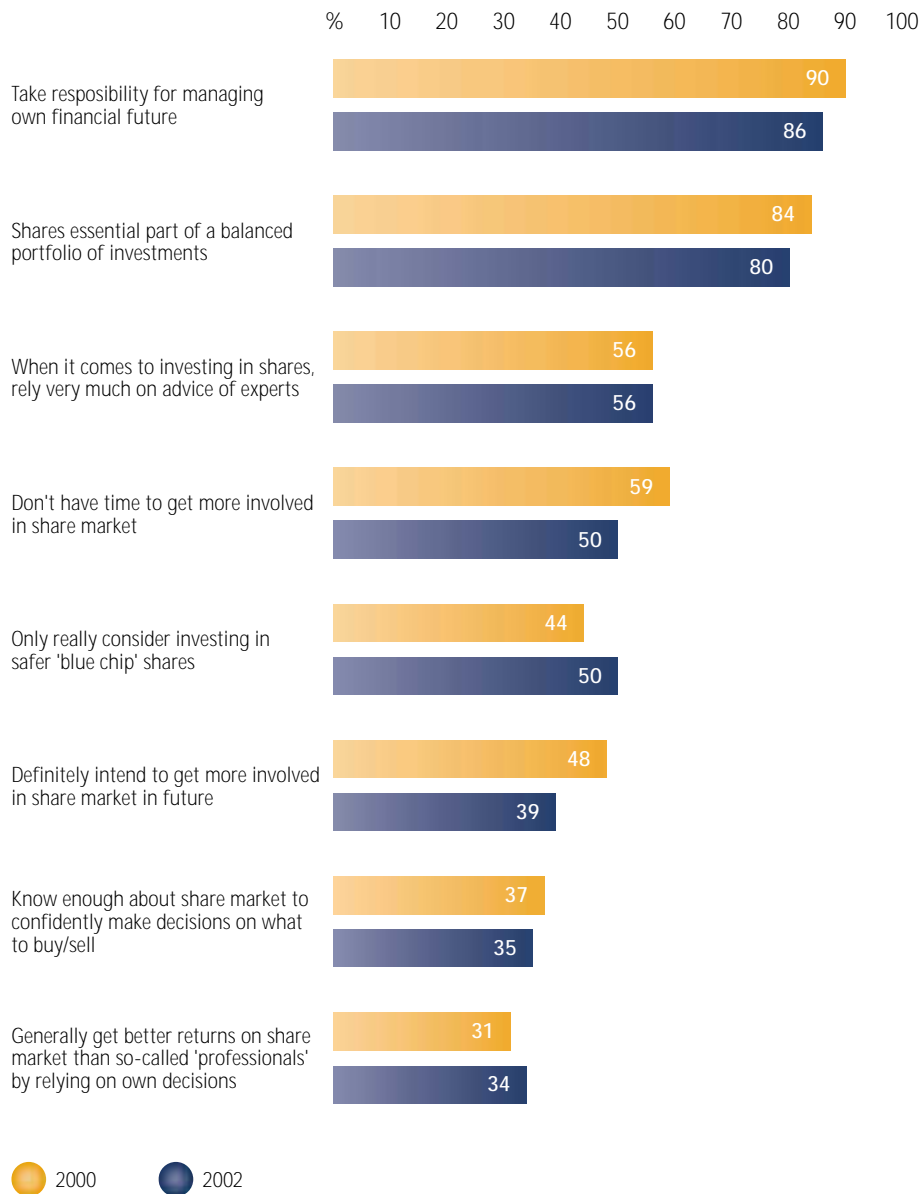
Base: Have direct investments + (n = 893)

Investors' Attitudes Towards Shares

- Despite slight declines from 2000 to 2002 the majority of direct investors (at least 80%) believe that they have to take responsibility for managing their own future and that shares are an essential part of a balanced portfolio of investment.
- Three in five (56%) claim to rely on the advice of experts when investing in shares. This is consistent with only two in five stating that they know enough about the share market to make their own decisions on what to buy and sell. The latter group are likely to be the same investors who feel that by relying on their own decisions they are able to receive better returns than the professionals.
- Key shifts since 2000 were the decline in those not having time to get more involved in the share market (59% to 50%), and those definitely intending to get more involved in the share market in the future (48% to 39%).
- The only significant increase was the proportion of direct investors only considering investing in safer blue chip shares (44% to 50%), which is a characteristic of a bear market.

Attitudes to shares and investments

(Statements about shares and investments agree with)



Have direct investments = 37%

Base: Have direct investments (2000 n = 523; 2002 n = 893)

Investors' Attitudes Towards Shares

- Qualitative research provides some further depth into share owners' mindset towards investments in general in 2002. Throughout 1999 an air of excitement prevailed, which has become muted in 2002. The current environment is characterised as being one of uncertainty where excitement has been replaced with some anxiety. Investors are 'on hold' and the mood is one of cautious conservatism.
- Equally, a reduced confidence in managed funds/superannuation, corporate management and government legislation has led to a heightened sense of personal responsibility for one's financial well-being. A sense of self-directedness, hence personal control, is evident.
- Shares are seen to afford a number of benefits which both encourage market entry and ongoing involvement. Their flexibility and liquidity are key advantages. They are also low maintenance and due to the internet more accessible.
- Attitudes towards shares versus other types of investment indicate property remains the strongest contender for investor funds. **Investment property** remains popular, despite some feeling the boom may be over. Property is perceived to be tangible and familiar and offer a sense of control. **Managed funds** have disappointed investors, and fees are being queried. They are still seen as having a role in access to international markets and providing a balance of investments. **Superannuation** mirrors managed funds, with added concerns regarding future government legislation.
- There is a tendency to 'buy and hold' shares especially among less knowledgeable investors. Overall it seems investors find selling more difficult than buying – they question when and if they should sell shares.

Future Intentions

Likelihood of future activity

- Of current direct investors (37%), 40% indicated that they are likely to purchase shares in the next 12 months. This is 15% of the population or 2.2 million people.
- Of those who do not currently have direct investments (63%), 11% have indicated that they are likely to enter the share market in the next 12 months. This represents 7% of the population or around 1 million people.

Tomorrow's share owners

- An interesting finding from the 2002 study was the emergence of a group of non-direct investors that are likely to be tomorrow's share owners.
- In 2002, 63% of the population did not have direct ownership in shares, of which 37% were identified as having a positive predisposition towards shares. This group represents 23% of the population or just over 3 million people, and tend to be under 35 years (47%) with household incomes of under \$50,000 (46%).
- Of this group, 58% have thought about investing and believe the current economic climate is favourable and 36% have owned shares in the past. One in five (21%) indicated a likelihood of purchasing shares in the next 12 months, which equates to over 700,000 of the 1 million people likely to enter the share market (as mentioned above).

International Share Comparison

- Below is an extraction from several international studies that focuses on the incidence of shares internationally.
- Please note that this table is provided to give an indicative comparison and not an absolute comparison. Several factors lead to the findings not being directly comparable including different definitions of direct, indirect, shares, stocks and funds; different methodologies, sample sizes, sampling frames and different interviewing periods.
- Of studies available in 2002, Australia enjoys a relatively high level of total share ownership at 50% alongside that of the USA (also at 50%) and Canada at 46%. That of Switzerland, Germany and the UK is around one in four or five.

International comparison

	98	99	00	01	02
Australia – Direct	32%	41%	40%	n/a	37%
Direct/Indirect	40%	54%	52%		50%
USA – Direct/Indirect	49%	48%	n/a	52%	50%
Canada – Shares/Funds	n/a	n/a	49%	n/a	46%
Switzerland – Shares	n/a	n/a	32%	n/a	24%
Shares/Funds			34%		25%
Germany – Shares	7%	8%	10%	9%	8%
Shares/Funds	11%	13%	19%	20%	18%
UK – Stocks/Shares	24%	25%	25%	24%	22%
Hong Kong – Shares	n/a	16%	21%	20%	n/a
New Zealand – Direct	n/a	n/a	30%	n/a	n/a
Direct/Indirect			44%		

NB: USA study based on households, other studies are based on individuals.

Sources:

Australia – '2002 Australian Share Ownership Study', Australian Stock Exchange March 2003

USA – 'Recent Changes in US Family Finances: Evidence from the 1998 and 2001 Survey of Consumer Finances', US Federal Reserve Board and 'Equity Ownership in America 2002', Investment Company Institute and the Securities Industry Association

Canada – 'Canadian Shareowners Study', Toronto Stock Exchange, July 2002

Switzerland – 'Equity Ownership in Switzerland 2002', Swiss Banking Institute, University of Zurich

Germany – 'Deutsches Aktieninstitut FactBook', Deutsches Aktieninstitut, November 2002

UK – 'Private Share Ownership in Britain 2002', Proshare, September 2002

Hong Kong – 'Retail Investor Survey 2001', Hong Kong Exchanges and Clearing Limited, May 2002

New Zealand – '2000 Share Ownership Study', New Zealand Stock Exchange, June 2000

About the 2002 Australian Share Ownership Study

This research report consists of findings from two stages of research – an in-depth qualitative stage followed by a comprehensive quantitative stage. Both stages were funded from the National Guarantee Fund to support industry knowledge on Australian investors, on the approval of the Hon Joe Hockey Minister for Finance.

Qualitative stage

Independent market research company – Creative Catalyst Insights conducted 21 group discussions from 3 September to 26 September 2002. These groups were held among active share owners (ie traded at least twice a year), non-active share owners, potential share owners and DIY/self managed superannuation holders.

These groups were held in Sydney (City, Crows Nest and Parramatta), Coffs Harbour, Brisbane and the Gold Coast. Each group ran for approximately 2 hours.

The main aim of this stage was to explore people's perceptions and attitudes towards today's investment environment in the broader context and shares specifically. This provides the 'back drop' to the quantitative stage.

Quantitative stage

Independent and international market research company – Millward Brown, undertook this stage.

The main aim of the quantitative stage was to statistically track the incidence of share ownership among the Australian population and to profile current shareholders in terms of demographics, activity and trading behaviour.

A sample of 2,401 Australian adults aged 18 years plus was drawn from across all states (including the ACT) covering both metropolitan and non-metropolitan areas using the latest Telstra White Pages.

Interviews were conducted by telephone between 21 November and 6 December 2002, each taking on average 20 minutes.

Strict stratified random sampling procedures were employed, including random selection of households, and random selection of individuals in each household. To ensure the sample captured those people who are frequently away from home, a system of callbacks and appointments was incorporated. This ensured the integrity of the sample.

All interviews were fully trained and all interviews complied with Interviewer Quality Control Australia and under constant managerial supervision.

To accurately reflect the population, the data was weighted to reflect the known Australian adult population by gender, age and State as per the latest Australian Bureau of Statistics information.

About the 2002 Australian Share Ownership Study

As this study was based on a sample of people and not the entire population (ie census) it is subject to sampling error, which is inherited in all sample based research. Any analysis of this study should therefore take into account the likely variability of findings using the table below:

For a sample of 2,500 at a confidence level of 95%, sampling tolerance (variability) for percentaged survey results at or near...

Percentage near 5 or 95 + ± 1

Percentage near 10 or 90 + ± 1

Percentage near 15 or 85 + ± 1

Percentage near 20 or 80 + ± 2

Percentage near 30 or 70 + ± 2

Percentage near 40 or 60 + ± 2

Percentage near 50 or 50 + ± 2

Using the finding of 37% of the population owning direct shares as an example. This figure is close to 40%, so in 95 cases out of 100 it will fall between 35% and 39% (37% + ± 2 %) and still be a valid and reliable finding.

Definitions

Adults

All people in Australia aged 18 years and over.

Both (ie multiple ownership)

People who have invested directly in the sharemarket as well as indirectly via managed funds or a personal superannuation plan that invests in shares and is set up by the individual and managed either by a fund manager or personally by the individual.

Derivatives

Derivatives are defined as call or put options, warrants or futures. These instruments give the right to buy or sell an underlying security or notionally buy or sell a market index.

Direct share owners

Owners of shares in companies listed on a stock exchange. Shares may be purchased via broker or prospectus, units in a listed property trusts purchased through a broker or prospectus, received as an inheritance, a gift, as part of a demutualisation or an employee share scheme. Also includes listed property trusts, derivatives and listed interest rate securities.

Incidence

This measurement refers to the penetration of share ownership in a defined group. For example, the incidence of direct share ownership among women was 33%. This means that 33 out of every 100 women invested directly in shares.

Indirect share owners

Indirect investment in either investment in a managed fund or personal superannuation that invests wholly or partly in shares where, (a) the individual has set up but is managed by someone else, or (b) the individual has set up and directly manages.

Listed interest rate securities

An interest rate security is a security that pays a fixed or floating rate of return. The issuer usually promises to pay the investor a specified rate of interest per annum over the life of the security and to repay the principal at maturity.

Listed property trust

Listed Property Trusts allow investors to purchase an interest in a professionally managed portfolio of commercial real estate. Property trust investors gain exposure to both the value of the real estate the trust owns, and regular rental income generated from the properties.

Metropolitan

This term refers to the capital cities in each state.

Regional

Regional refers to all areas with the exception of capital cities in each state.

Retail investor

A retail investor is an individual investing either directly or indirectly in the sharemarket.

Total share ownership

The sum of adult Australians who own shares directly, indirectly and both directly and indirectly.

